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SUBJECT: MCC TELLS GOS IT HAS ENDED SUPPORT OF ORIGINAL COMPACT
PROPOSALS; OTHER PROJECTS ARE POSSIBLE

¶1. (U) Possible action request for the Department, Johannesburg and Cape Town in para 7.

¶2. (SBU) SUMMARY: The MCC has informed President Wade and Prime Minister Macky Sall that it will not continue supporting Senegal's MCC Compact proposal, the Diamniadio Platform. The MCC remains keen to work with Senegal on a compact to support the construction of the Dakar-Diamniadio toll road. The GOS' private deal with Dubai-based Jafza International to develop a Special Economic Zone, with many of the same benefits as the Platform, has rendered the MCC project redundant since there is not enough economic demand for both projects. We do not yet have President Wade's reaction, but Prime Minister Sall told MCC Vice President John Hewko and the Ambassador that the decision was "understandable." We requested a response from the GOS within a week so that the MCC Compact does not become a major issue for a planned June 25-26 FLOTUS visit to Dakar. Mr. Hewko offered to be available to President Wade to discuss this development further during the World Economic Forum June 13-15 in Cape Town, South Africa. The MCC's decision could impact Senegal's anticipated government reshuffle, and also Karim Wade, the dealmaker for the Jafza project. END SUMMARY.

THE BAD NEWS . . .

¶3. (SBU) On June 11, MCC Vice President for Operations John Hewko told Senegalese Prime Minister Macky Sall that Senegal's Compact proposal, the construction of a major industrial platform at Diamniadio, will no longer be considered for MCC funding since Senegal has found a private partner to invest in a similar project. Concurrently, the Embassy delivered a letter to President Wade from MCC CEO John Danilovich providing the MCC's decision. Mr. Hewko confirmed that the MCC still hopes to sign a compact with Senegal in FY08, and is committed to proceeding with due diligence for joining other donors in funding the Dakar-Diamniadio toll road, whose construction has already begun. In explaining why the MCC has ended its work on the Diamniadio Platform proposal, Hewko (who was accompanied by the Ambassador, MCC Managing Director for Africa Jonathan Bloom, and Econ Counselor) made the following points:

-- The MCC has learned that the GOS is working with Dubai-based Jafza International to build a Special Economic Zone (SEZ) in the area of the Platform and the planned new airport at Diass;

-- Senegal is to be congratulated for attracting a private investor for a project of this magnitude;

-- It is clear that there is not enough demand for two Special Economic Zones in Senegal, and it would not make sense to build

Diamniadio and the SEZ;

-- It is preferable to have a project of this kind financed by the private sector;

-- Therefore, the MCC has ended its work in pursuit of this Diamniadio Platform;

-- This decision was made after extensive review, consultation, and consensus with senior officials at the State Department and the NSC;

-- This decision does not reflect a lack of diligence or competence on the part of Senegal's implementing agency for the Platform, the AMPMD.

¶4. (SBU) Hewko also noted that in addition to pursuing the toll road, the MCC would be willing to consider other proposals from Senegal, but that in order to move quickly to completion of an initial Compact, it might be best to just focus on that project and consider other proposals in the future after the completion of the toll road.

. . . TAKEN WELL - SO FAR

¶5. (SBU) Prime Minister Sall appeared not to be surprised by the MCC's decision, and it is likely that the Director General of AMPMD, Sogue Diarisso, had highlighted for the Prime Minister that there was not enough economic demand for both industrial platforms, and that the two projects could not be merged due to the MCC's requirements for transparency and open competition for contracts. Sall stated that he "understood" the MCC's decision, and was pleased that the MCC could join the World Bank, the French Development Agency (AFD), the Islamic Development Bank, and a too-be-determined

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private partner in the construction of the much-needed toll road. In explaining why the Government had concurrently pursued both industrial platform projects, Sall said the GOS was allowing both to move forward on their own as a type of "competition" to see which one would best serve the country.

¶6. (SBU) As of this writing, we have not received any feedback on the Danilovich letter to President Wade. Sall undertook to assure that Danilovich's letter was received by President Wade, who was still in Europe following the G-8 Summit, and who was planning to head next to the World Economic Forum, June 13-15, in Cape Town, South Africa.

¶7. (SBU) Possible action for the Department, Pretoria and Cape Town: Mr. Hewko noted that he will also be attending the World Economic Forum and offered to make himself available for a meeting with President Wade if requested to clarify the MCC decision. MCC, via the Department, may request a note taker and other assistance organizing such a meeting.

NEXT STEPS

¶8. (SBU) Hewko requested an initial response to the MCC decision on the platform and the interest in pursuing a Compact on the toll road within one week. The quick response is important to avoid having Senegal's MCC program become an overriding issue during a planned June 25-26 FLOTUS visit to Dakar. A quick response would also permit the MCC to go ahead with a planned mid-July mission to Senegal to begin due diligence work on the toll road proposal. In the meeting on the PM's side was Aminata Niane, the Director General of Senegal's investment promotion agency (APIX), which is also the overall project manager for the toll road.

¶9. (SBU) The MCC's Jonathan Bloom also noted the MCC has produced a tremendous quantity of detailed analysis of the issues that could affect the populations in the project area, and all of this analysis is the property of the Government. Bloom recommended to the PM and his team, including Diarisso and Niane, that the Government or Jafza make use of this valuable resource in the development of its Special Economic Zone.

COMMENT

¶10. (SBU) The timing of the delivery for the MCC's message was not ideal because President Wade is planning a major cabinet shuffle in the coming days or weeks. PM Sall will most likely be replaced. The President's reaction may be predicated, in part, on where he believes the Diamniadio Platform fits into his economic development plans for the coming years. One person who will perhaps be impacted by the MCC decision is Wade's son, Karim Wade, who was by all accounts the key player in securing the Jafza deal. If that deal included promises of MCC resources or infrastructure development, Karim could have some explaining to do.

¶11. (SBU) It will also be instructive to learn what happens to the AMPMD and Diarisso. After many false starts, AMPMD in recent months has become a very effective partner to the MCC, and is now arguably Senegal's most advanced organization for managing major infrastructure projects. Mr. Hewko highlighted to the Prime Minister the MCC's high regard for Diarisso and his staff, and it would be a loss for Senegal if it did not take full advantage of this organizational resource in pursuing other major projects. END COMMENT.

¶12. (SBU) Visit Embassy Dakar's SIPRNET Web site at <http://www.state.sgov.gov/p/af/dakar>.

Jacobs